



U.S. SMALL BUSINESS ADMINISTRATION
WASHINGTON, D.C. 20416

TESTIMONY OF
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BEFORE THE INTERNATIONAL RELATIONS COMMITTEE
SUBCOMMITTEE ON AFRICA, GLOBAL HUMAN RIGHTS AND
INTERNATIONAL OPERATIONS SUBCOMMITTEE
U.S. HOUSE OF REPRESENTATIVES

HEARING ON
REMOVING OBSTACLES FOR AFRICAN ENTREPRENEURS

June 8, 2006

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Mr. Chairman, Ranking Member, and distinguished Members of the Committee. Thank you for inviting me to testify on the subject of Removing Obstacles for African Entrepreneurs.

My name is Manuel Rosales and I am the Associate Administrator for the Office of International Trade at the Small Business Administration (SBA). The SBA is a domestic economic development agency tasked with assisting American small businesses. The office of International Trade is mandated to provide technical and financial assistance to American companies who wish to expand into the international marketplace.

I would like to recognize the leadership of SBA's Administrator Hector Barreto, a staunch advocate for active small business participation in trade and the international marketplace. He is a friend and proponent of all small businesses.

The SBA has been working closely with the Department of State, Department of Commerce, U.S. Agency for International Development and the U.S. Trade Representative's Office in working with respective governments and private-sector organizations in Africa. SBA has a successful 53-year history of providing technical assistance, financial assistance, government contracting assistance and advocacy for the U.S. small business community.

Over the course of time we have had the opportunity to share our experiences with international visitors. Visitors to SBA come from foreign governments, their embassies here in Washington, and also from the private-sector organizations from these countries. Visitors from the many Nations of Africa are no exception. In some cases, SBA, through its Office of International Trade, has established strategic alliances and/or collaboration agreements where we can share our experiences and best practices with these countries.

Under the African Growth and Opportunity Act (AGOA) African Trade and Investment Policy Program, the SBA received funding to assist in the development of Business Information Centers (BICs) in Nigeria. This project was completed in 2003. The grant to SBA was made under the auspices of the USAID Inter-Agency Agreement as part of the Africa Trade and Investment Policy Program (ATRIP) through the National Security Council to provide technical assistance to Nigeria to create two Business Information Centers (BICs).

These BICs were to serve as examples of public-private partnerships such as those pursued by the SBA. These BICs were created to serve as a model for one-stop community-based business assistance centers where small and medium-size enterprises (SMEs) can receive technical assistance, gain computer skills and internet access, explore financial options, and link with other businesses. A second component of the program includes training, both in the U.S. and Nigeria, for BIC managers and personnel responsible for conducting entrepreneurial development training in their communities. The U.S.-Nigeria Development Institute was the partner and implementer of the project in Nigeria. We believe that this initiative provided us a chance to realize how significant it is to have a good business environment to enable growth. The small business community needs to have the internal and external infrastructure that stimulates their development and growth. This is one of the issues crucial to the success of AGOA.

For SBA, AGOA legislation has opened up possible opportunities for U.S. small businesses to enter the Sub-Saharan African market with confidence and assurance from the U.S. Government. As a result of this legislation, which has served as a key component of the Bush Administration's trade policy toward Africa, SBA has either worked with or hosted high-ranking diplomats from numerous Sub-

Saharan African countries such as Botswana, Senegal, Nigeria, Rwanda and Burundi. The President's interest in creating trade with Sub-Saharan Africa, has also driven policy changes that have made communication with and obtaining information about Sub-Saharan Africa more accessible to U.S. businesses.

From the meetings with African governments, Non-governmental organizations (NGOs) and African entrepreneurs and small business owners, we have learned what some of the obstacles they see are to small business development and growth in Africa. They are:

- Limited access to capital. The funding sources that are available come at a high cost. African small enterprises typically have little or no collateral and are perceived to be extremely high risk.
- Lack of sustainable capacity-building. Foreign aid projects may begin with the best of intentions, but their lifespan is often short.
- Failure to develop and sustain business clusters and/or small business incubators, both of which are viable tools for economic development, especially in support of the small enterprise.
- Serious shortfall of telecommunications and communications technology that would facilitate marketing and e-commerce activities.
- Significant shortcomings and weaknesses in long-term technical assistance.
- Ineffective governance at national, state and local levels. More qualified human capital is needed to facilitate and implement effective services.
- A need for better infrastructure support for small business by public/private sector service providers, business associations and/or large corporate sponsors.
- Limited intellectual property (IPR) protection for African small and medium enterprises (SMEs) inhibits their willingness to trade between neighboring provinces and states. This also significantly inhibits U.S. small firms from engaging African small businesses in trade.

Effective collaboration between countries in the region, with support of both the public and private sectors, will significantly enhance economic development and growth.

One example of cross-border collaboration and the implementation of economic ties on a regional basis is SBA's initiative with the *SME Congress of the Americas*, under which we have been working with counterpart agencies throughout the Americas since 2003. The *SME Congress of the Americas* is a hemispheric network of micro, small and medium enterprise (SME) service providers, public and private-sectors, working together to promote the participation and competitiveness of SMEs, especially in international trade. Countries that conduct international trade have much more economic strength and a stronger, more viable small business community, and those are some of the objectives of AGOA.

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This leads me to a final point that I would like to make regarding recommendations for promoting entrepreneurship and small business growth in Africa. This is not something that the governments of Africa can do on their own, even with resources and assistance from foreign governments such as the U.S. One of the things that SBA does best is leveraging partnerships with private and not-for-profit organizations. We certainly could not do all that we do on our own. It is critical that Africa recognize this.

The private sector needs to be a full partner in grass-roots economic development. Just as we recognize that our small business development assistance can play a role in helping to create more and better trading partners for U.S. small businesses, the private sector operating in Africa needs to realize that the stability and prosperity that small business development provides creates opportunities for economic enrichment.

Again thank you for the opportunity to share our thoughts and experiences regarding Africa and entrepreneurial development.